



The MidAtlantic Electricity Market— Reflections on Six Years of Trial and Error

Thomas H. Rawls

Chief Environmental Office


General Manager, Eastern Region

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tom.rawls@greenmountain.com

610-902-6046 x228





The test of a competitive market

- Can I enter the market and acquire customers in sufficient numbers and at sufficient margin to justify the investment required in operations and marketing?
- Need to overcome advantage of longstanding monopoly utility.

What a residential market needs— green or brown

- A RETAIL price that reflects reality
 - NJ is essentially wholesale.
 - PA is fixed.
 - TX has an adjustable fuel factor.
- Rules that spur choice
 - In TX, customers are w/ a utility affiliate, not the utility, which has incentive to shed 40% of them.
 - Customers moving into a distribution utility's territory do not automatically become the utility's customers. They must choose a supplier.
- Easy sign-up
 - Secure access to customer accounts



What a market needs

- Reasonable security requirements
 - PA=10% of previous year's revenues, even though GRT is prepaid
 - NJ=2 months' customer use at BGS rate
 - Can an aggregator afford this?
- Uniform business rules
- Workable and competitive wholesale market



Good-faith efforts to jump start the market in the region

- > Competitive default service in PA
 - o Limited success.
 - o Price cap is the limiting factor.
- > Green power pilot in NJ
 - o Affiliate won.




Where are we today?

- High Points (PA example):
 - 96 licensed suppliers (1/99)
 - 787,846 residential and C&I customers (4/01)
 - 8,320 MW load (4/00)
- Current (as of 7/03):
 - 12 suppliers
 - 312,862 residential and C&I customers
 - 2,755 MW load




Are we on course—residential perspective ?

- > Early promise has faded.
- > Uncertainty regarding future residential competition.
- > What do we want—vibrant market or capped rates?



What about the “Utility partnering,” or “Check-off” model, to promote renewables?

- Niagara Mohawk launched a program in September 2002.
- Result of Nat’l Grid Settlement.
- Product offered by competitive “suppliers,” but customer remains with the utility.
- Product is “attributes,” or “tags,” administered according to NY rules.
- Some competitors supported by NYSERDA grants.
- Limited success, at best—7,500 sign-ups after a year—0.75% of customers.



What would a successful program look like?

- Lots of customers—2-4% per year for several years.
- Utility commitment to successful program, with clear goals
 - Guidelines that allow use of utility logo.
 - Integration w/ utility PR and advertising.
 - Customer targets.
- Business opportunity that can support marketing expenditure by suppliers
- Operational support
 - Use of customers lists for solicitation.
 - Automated account availability for enrollees.